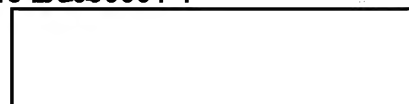


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USAF review(s) completed.

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Libya: The Revolutionary Command Council is getting the country more involved in the Arab-Israeli conflict.

25X1 [redacted] the transfer of 4,000-5,000 Libyan troops to Egypt for duty along the Suez Canal began this week. Units of the Cyrenaican police force have been transferred into the regular army and will be part of this expeditionary force. Any officers who accompany the troops are to be from the junior ranks, and senior Egyptian officers will presumably be seconded to the units. It is also possible that the Libyan units will simply be integrated into Egyptian military units.

The junta has also begun a military manpower expansion program. A recruitment program to enlist young Libyans between the ages of 17 and 25 was recently started. Moreover, those members of the provincial police forces who are not needed for basic police functions and who have not already been ordered to duty in Egypt will be formed into regular army units. A recent Libyan Army request to purchase 40,000 sets of US Army fatigue uniforms is another sign of the intention to increase army strength.

25X1 Meanwhile, the Libyan Air Force has submitted an urgent request to buy large quantities of bombs, rockets, and smaller ammunition from the US. US personnel at Wheelus Airbase estimate that the items requested would be enough to supply 100 aircraft for a two-month period of combat and that the materiel could be used by both Mirage and MIG aircraft.

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Egypt: Nasir may be altering his policy of downplaying Cairo's reporting of Israeli actions against Egypt.

An editorial in the semi-official newspaper al-Ahram yesterday criticized Egyptian communiqués issued after the recent Israeli raids near Cairo. Editor Haykal, who often reflects Nasir's thinking, said that such announcements should "harmonize with the truth" as the best way to combat the psychological warfare being waged by Israel. Inasmuch as Israel is now striking within sight and sound of the Egyptian capital, Nasir probably believes that his official releases must be somewhat more forthcoming to help undercut speculation and rumors, and to prevent a further erosion of the government's credibility. Cairo will continue to tailor the news as needed, however.

Haykal also criticized the news treatment of the Israeli capture of a Soviet-built radar last month. He charged that the government should have admitted that the theft was "a big blunder or a big crime," and also should have announced that the Egyptian officers in charge had been punished.

Haykal's comments may have been intended to garner public support for the government's position in punishing the derelict officers.

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Chile: Pro-Castro Socialist Salvador Allende is the presidential candidate of the leftist front.

Allende's candidacy was announced officially at a rally in Santiago on 22 January. His position was strengthened earlier this week when the candidates of the Radical and Communist parties, as well as a leftist independent, withdrew. Allende's nomination seems to confirm expectations that the election in September will be a three-way contest among Allende, Christian Democrat Radomiro Tomic, and former president Jorge Alessandri, an independent conservative.

Allende still must overcome several problems, including lukewarm support from some of the groups in the leftist front. If the parties can submerge their mutual antagonisms, however, he will be a strong candidate.

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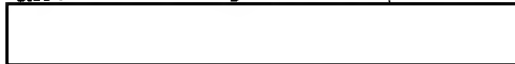
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India: Prime Minister Gandhi is considering nationalizing general insurance companies, to be announced perhaps as early as Sunday.

Bank nationalization last year was a great popular success, and most insurance company representatives now believe that the government will nationalize at least the Indian-owned insurance firms. Some companies, notably the Swiss, are convinced that foreign companies will be taken over also. The US share of India's general insurance business is small. Latest available figures show that in 1967 American firms gained only \$1.9 million out of the \$22.1 million total earned by all foreign insurers.

The government is aware that nationalization, even if limited solely to Indian firms, may result in some unfavorable reaction by India's trade and aid partners. Prime Minister Gandhi, however, has compelling political motives to demonstrate her commitment to "socialism" by implementing at least some of the economic policies her party has endorsed. She has already had difficulty with the "Young Turks" in her party who do not believe she is moving fast enough. Nationalization of general insurance would antagonize only a relatively small vested-interest group because life insurance was nationalized in 1956. She may believe, therefore, that this would be a cheap way of momentarily placating her critics and boosting her stock with the Indian public.



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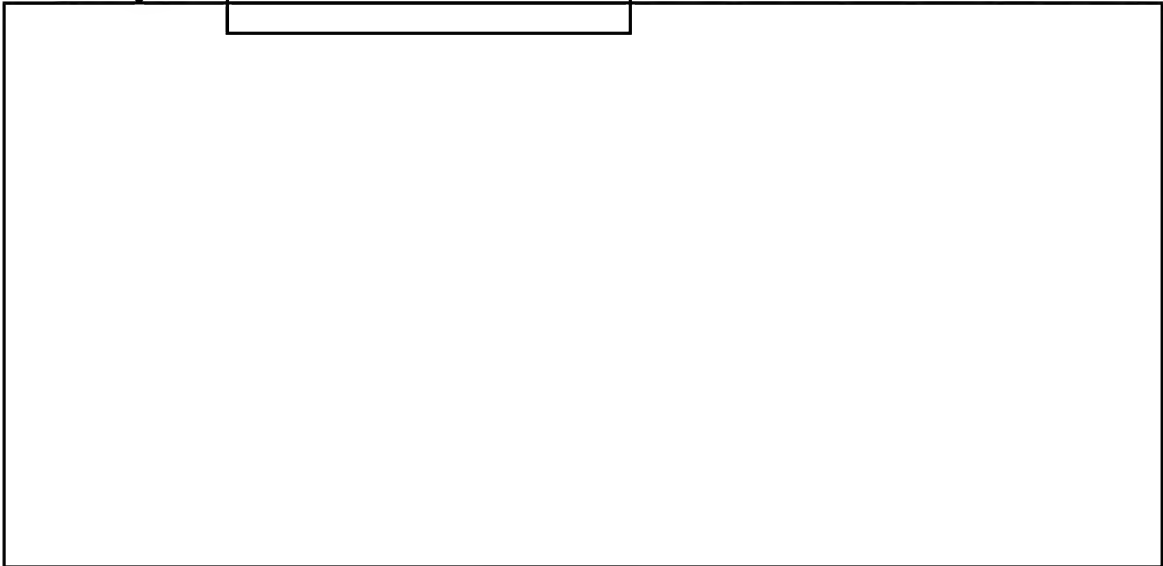
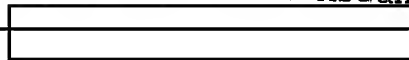
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Communist China - US: Peking has ended the limited stand-down on anti-US propaganda instituted about two weeks before Thursday's Sino-US meeting in Warsaw. A Chinese news release of 22 January attacked Vice President Agnew's recent trip to Asia, particularly his visit to Taiwan, and charged that Washington is still pursuing a policy of hostility toward China. The article followed a series of propaganda blasts on 21 January that denounced US policy elsewhere in Asia. The Chinese are no doubt concerned that their forthcoming attitude during recent weeks to the resumption of the Warsaw sessions will be misinterpreted. By ending the lull in anti-US attacks, Peking probably hopes to demonstrate that its position on Taiwan and other Asian problems remains unchanged.



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Warsaw Pact: A meeting of Pact representatives, probably at the deputy foreign minister level, will take place in Sofia on 26-27 January. The delegates may compare notes on European security issues in light of recent reactions from NATO and the discussions held at the mid-January meeting of European Communist parties in Moscow. They may also assess the Brandt government's latest proposals for negotiations with Pact powers. There are other reports that relations with Albania will be discussed.

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